

South Tahoe Public Utility District - Deviation Request on Special Appropriation

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Contains Confidential Information

Issue: South Tahoe Public Utility District (STPUD) was appropriated \$7.15 million in FY98 funds for repair and upgrade of a wastewater export pipeline that carries treated effluent out of the Lake Tahoe Basin. STPUD originally indicated the grant would support future construction on a particular segment of the pipeline, but in April applied for all of the funds to be used instead to reimburse the District for prior work done on the pipeline between 1990 and 1996. Also, the requested local match (45%, or \$5.85 million) would be met by pre-award expenditures. Per EPA grant guidelines, STPUD submitted a request for deviation from grant regulations to allow for pre-award costs. The deviation was submitted for approval to Grants Administration Division at EPA HQ, but the real decision lies with the Office of Wastewater Management (OWM) headed by Mike Cook. OWM's concurrence on the deviation request is needed, but OWM is recommending only a partial approval.

Basis of OWM partial approval: Although pre-award costs have been allowed on other Congressional appropriation grants, OWM feels strongly that the federal dollars should go for future construction when possible. OWM does not support STPUD's contention that the District deserves to be reimbursed for earlier work, and purports that allowing pre-award reimbursement such as STPUD has requested would set a very bad national precedent. Unlike other projects where pre-award costs have been approved, there is considerable future work planned (about \$30 million) on the export pipeline. OWM is willing to go back to the effective date of the appropriation (Oct. 1, 1997) and honor all pipeline construction costs from that date forward, as well as related planning and design costs, even if they preceded Oct. 1, 1997. OWM anticipates this partial approval will honor approximately the amount of matching funds required from STPUD, and the District could receive the grant without having to apply additional local funds. However, the federal grant monies would need to be applied to current or future construction.

Interest from Elected Officials: Strong interest has been exhibited, especially from Senator Boxer's office. Inquiries have also been made by Senator Reid's office, Senator Feinstein's office, and Representative Doolittle's office. OWM has met with staffers from Boxer's and Reid's offices.

Current Status: Mike Cook is waiting to hear back from Senator Boxer's office before issuing the partial approval on the deviation request. Our latest word as of late Wednesday Sept. 9 is that the Senator has not yet decided whether to contact Carol Browner in support of STPUD. Staff in Boxer's office are recommending that she make the call to Browner.

Future Actions: Mike Cook will wait on the deviation decision if Boxer plans to call Browner. If she does not elect to call Browner, the partial approval will be released immediately. STPUD indicates they have some cash flow issues and have requested the issue to be expedited. STPUD (Bob Baer, General Manager) is aware of the "concept" of the partial approval, although OWM asked that we not release specific predecision information. The process was moving quickly but

is blocked at present until the Congressional interest issues are resolved.